

**For:** State and County Offices

**Loan Commodities Stored in Unlicensed Storage Facilities**

**Approved by:** Deputy Administrator, Farm Programs



**1 Overview**

**A**

**Background**

The Farm Security and Rural Investment Act of 2002 (the Act), Section 1201 (c) authorizes the Secretary to make marketing assistance loans and loan deficiency payments available to producers who deliver and store loan eligible commodities in unlicensed storage facilities, such a public warehouses, feedlots, feedyards and warehouses that do **not** have a CCC storage agreement, if the producer agrees to immediately redeem the loan collateral with a commodity certificate.

To be eligible for a marketing assistance loan, producers must:

- be an eligible producer
- produce and harvest an eligible commodity
- have beneficial interest in the commodity.

For marketing assistance loans, the producer must have beneficial interest in the commodity from harvest continuously through the date:

- the loan is repaid
- CCC takes title to the commodity.

**B**

**Purpose**

This notice informs State and County Offices of the eligibility requirements for producers who deliver and store loan eligible commodities in unlicensed storage facilities and agree to immediately redeem the loan collateral with a commodity certificate.

**Disposal Date**

June 1, 2003

**Distribution**

State Offices; States Offices relay to County Offices

## 2 Loan Commodities Stored in Unlicensed Facilities

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### A

#### **Loan Request for Commodities Delivered to an Unlicensed Facility**

Producers who request a marketing assistance loan on a commodity that is delivered to an unlicensed facility must request the loan and the commodity certificate exchange before beneficial interest is lost in the commodity.

**If the producer will lose beneficial interest in the commodity upon delivery, then the producer must request the marketing assistance loan and the commodity certificate exchange before or on the date of delivery.**

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### B

#### **Loan Commodities Delivered to Feedlots and Feedyards**

Delivery of the commodity by a producer to the feedlot or feedyards removes the producer's ability to make all decisions affecting the delivered commodity. Therefore, control of the commodity does **not** remain with the producer and beneficial interest is considered lost upon delivery.

**Producers who are delivering to a feedlot or a feedyard must request the marketing assistance loan and the commodity certificate exchange before or on the date of delivery.**

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### C

#### **Required Production Evidence**

Producers are subject to spot check and will be required to submit acceptable production evidence for marketing assistance loans that are redeemed with commodity certificate.

Producers who stored loan commodities in unlicensed facilities must provide production evidence that indicates the date the commodity was delivered to the unlicensed facility.

**Note:** The date the commodity was delivered to the unlicensed facility is in addition to the other requirements necessary on the production evidence according to 8-LP, paragraph 535 D.

If there are reasons to believe the commodity is ineligible or the storage location and capacity is in questioned, County Offices shall do either of the following before disbursing the loan:

- require the producer to submit acceptable production evidence
  - call the storage location to verify existence and delivery of the commodity.
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